

SUN
resources

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31 July 2014

ASX Limited
Company Announcements
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

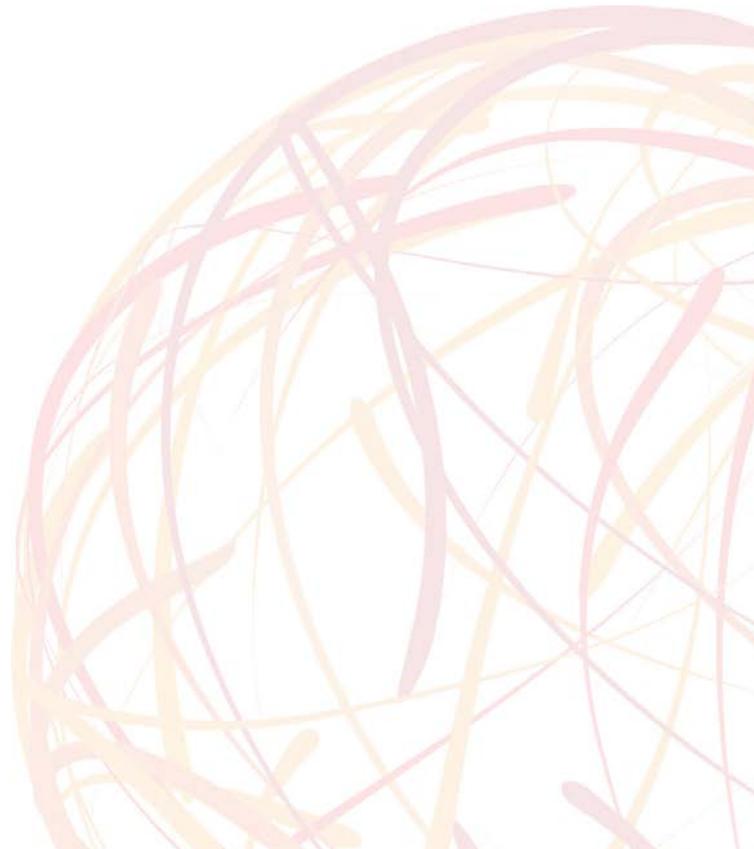
RE: QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 JUNE 2014

Please find the Quarterly Activities Report for the period ended 30 June 2014 for Sun Resources NL (ASX: SUR).

Yours faithfully
SUN RESOURCES NL



Craig Basson
Company Secretary



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 JUNE 2014

HIGHLIGHTS

Badger Oil Project, Onshore, East Texas (Sun: 50% WI)

- Sun announced on 26 May 2014 that the Company had entered into a transaction to acquire a 50% non-operated working interest (WI) in the Badger Oil Project area representing a gross position of 10,028 (5,014 net) mineral acres of oil and gas leases.
- The Badger Oil Project acquisition underpins Sun's strategic commitment to grow and high grade its shale oil business in the USA, now expanded to target the Eagle Ford, Austin Chalk as well as the Woodbine unconventional plays.
- The first horizontal well in the Badger Oil Project is currently expected to spud before the end of November 2014.

Normangee Oil Project, Onshore, East Texas (Sun: 50% WI and Operator)

- Sun completed the drilling and log evaluation of the Jack Howe #1H vertical pilot well to a final measured total depth of 8,523 feet (2,345m).
- Oil shows were reported in the target Lower Woodbine Formation. The analysis results of the 167 feet (51m) of recovered conventional core will be used to determine the most likely target for the planned lateral well bore at the Jack Howe #1H location.

Delta Oil Project (Petro-Hunt AMI Sun: 25% WI; elsewhere Sun: 100% WI)

- Petro-Hunt completed preparation for the Davis #1 vertical pilot well in the Area of Mutual Interest (AMI) it has with Sun, consisting of approximately 7,832 acres in northern Leon County, during the Quarter.
- The Davis #1 well was spudded on 3 July 2014 and drilled toward the target Lower Woodbine Formation (referred to as the "C" or "Dexter" sands by Industry). The well subsequently reached a total measured depth of 6,515 feet (1,986 meters) and intersected a total of 39 feet (12 meters) of gross Dexter sands in the Lower Woodbine Formation, with only minor hydrocarbon shows recorded. The well has been plugged and abandoned.
- Sun plans to integrate this well result in its Lower Woodbine sand model to consider where the next potential lateral well location may exist within the limits of the Petro-Hunt AMI.

Amerril Oil Project, (Centerville AMI, Sun: ~18% WI)

- The Operator, Amerril (40% WI) continued flow back operations at the F. Thompson #1H lateral well with an average oil rate of 22 barrels per day being recorded in June 2014, representing an 45% increase on the average daily oil rate reported for May 2014.

Corporate

- Sun announced on 4 April 2014 that the Hon Alexander Downer AC had advised his intention to resign from the Board of Sun, effective from 17 April 2014.
- Subsequent to the end of the Quarter, Dr Govert van Ek resigned as CEO and Managing Director of Sun, effective from 9 July 2014.

UNITED STATES OF AMERICA

OIL AND GAS EXPLORATION AND DEVELOPMENT

At the end of the reporting period, Sun Resources NL's ("Sun") total net land position in the Woodbine Tight Oil Play within Leon and Madison Counties, East Texas was approximately 21,000 net acres of oil and gas leases. Actual net acres held under lease varies during the Quarter as new leases are added and existing leases either extended, renewed or lapsed. In addition to the current activities the Company actively seeks to identify new opportunities to assist in driving growth. In particular, the Company is examining opportunities to increase its lease holdings in the core, Southern Woodbine region, as capital allows. Below is a table showing Sun's net acres of oil and gas mineral leases in the various project areas. Total net acres recorded in the table below are approximate at 30 June 2014, based on the latest information provided by our vendors and operators. Further information on lease status, renewal and extension will be detailed in the Company's 2014 Annual Report.

Project Area	Sun's Working Interest (%WI)	Sun's Net Royalty Interest (%NRI)	Sun's Net Acres (1ha = 2.471ac)	Project Area Gross Acres
Delta Oil	100%	75%	9,803	9,803
Badger Oil	50%	37.5%	5,014	10,028
Southern Oil	50%	37.5%	2,991	5,982
Normangee Oil	50%	37.5%	1,926	3,852
Beeler (CW Brown)	13.5%	10.5%	-	-
Beeler Remainder	16.7%	12.5%	230	1,398
Centerville AMI	18	13.5%	363	2,014
Delta (Petro-Hunt AMI)	25%	18.75%	910	3,640
TOTAL	-	-	21,237	36,717

Badger Oil Project: Eagle Ford and Austin Chalk Unconventional Oil (Sun 50% WI)

On 8 May 2014, Sun announced that, pursuant to a binding Letter of Intent with Ursa Resources Group II LLC ("Ursa"), the Vendor and Operator, that Sun had purchased a 50% working interest in a gross 10,028 acre package of oil and gas leases (5,014 acres net to Sun) within the developing Eagle Ford Shale and its overlying Austin Chalk Formation, located in Bastrop County, Texas, USA (the Badger Oil Project, *Figure 1*). The remaining 50% WI will be retained by Ursa.

The Badger Oil Project area is located toward the north-eastern end of the traditional fairway of Eagle Ford Shale unconventional oil/gas/condensate play. However, the project area is also located within the north-easterly trending Austin Chalk oil play, specifically being only 3 kilometres due north and west of the prolific Giddings oil Field, with over 1 billion barrels of oil extracted from the fractured Austin Chalk. Sun and Ursa are planning the first horizontal multi-staged fraced well in Q4 2014 to test the commercial oil potential of the Lower Austin Chalk and Eagle Ford.

The first well in the Badger Oil Project will likely be a 5,500 feet lateral drilled within a prospective section to produce dominantly oil. The prospects of success are good given the offset wells on trend in this oil-rich play have produced initial production rates (IP's) ranging from 163 – 806 barrels oil per day (bopd), by operators such as Anadarko, Buffco, and Sanchez, from reservoir depths as shallow as 6,000ft (1,829m). The closest offset well drilled by Vernado Oil & Gas LLC (8km north) is reported to have IP'd at a rate of 806 bopd (source: Ursa).

Sun acquired its lease interests from existing cash and holds a 50% WI in all leases, which hold rights to all depths and all formations and have ~1.5 years remaining of an initial three-year term. All leases have an additional two-year extension option and the oil and gas leases deliver a 75% net royalty interest (NRI) to Sun and Ursa. Should the initial well be encouraging then the leases can be developed with a 64 lateral well programme - already under design.

Ursa is an exploration and production company based in Houston, Texas backed by over U\$900 million of capital. Ursa is focused on developing oil rich unconventional plays as well as the acquisition of conventional oil and gas producing properties. Ursa already has substantial lease positions in 5 plays across the USA and is an Operator with a proven successful track record.

The Principals at Ursa have also previously operated properties in a number of onshore, unconventional basins across the United States, including the Gulf Coast Texas, the Permian Basin of Texas and New Mexico, the "Fayetteville Shale Play" in the Arkoma Basin of Arkansas, as well as in the Williston Basin of North Dakota and Montana. They have spent many years determining the criteria for successful resource development in shale gas reservoirs and have completed extensive field studies of the "Eagle Ford Shale Play," the "Bakken Shale Play," the "Barnett Shale Play", and the "Marcellus Shale Play".

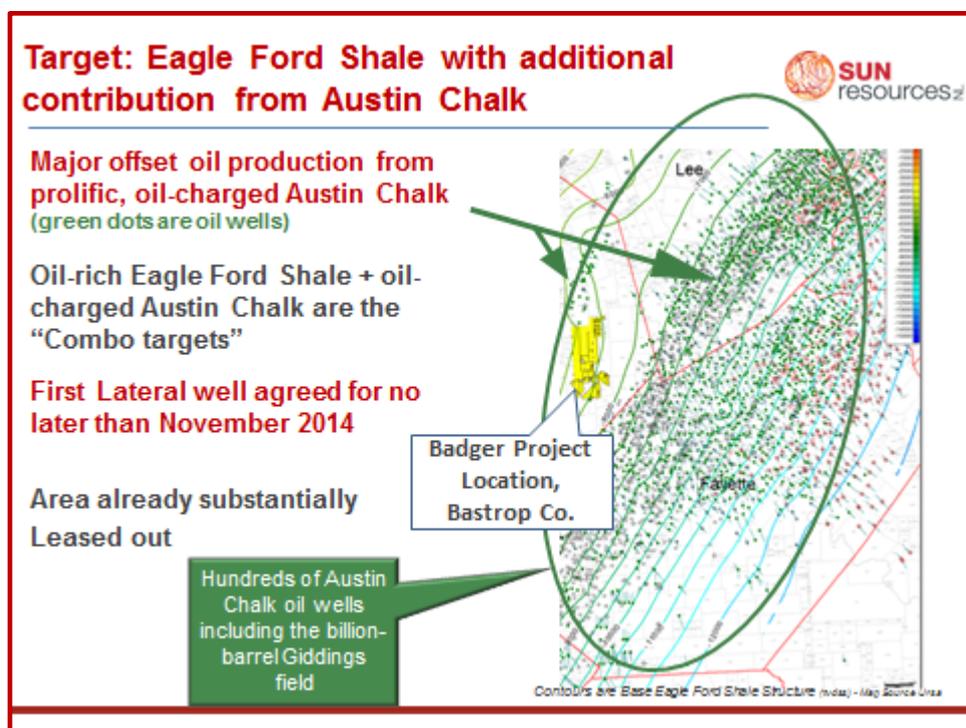


FIGURE 1: LOCATION MAP FOR THE BADGER OIL PROJECT, TEXAS, USA

Normangee Oil Project, Onshore, East Texas (Sun: 50% WI and Operator)

During the Quarter, Sun, on behalf of its 50% partner Amerril Energy LLC (“Amerril”), progressed with planning for the first pilot well and lateral in the Normangee Oil Project, a 3,952 gross acre package of oil and gas leases located on the Leon County-Madison County border, Texas, USA. Sun has a 50% working interest in the lease tracts and the balance of the working interest (50% WI) in the Normangee Oil Project is held by Amerril. The first well in the Normangee Oil Project was the Jack Howe #1H vertical pilot well and drilling operations commenced with the spudding of the well on 15 April 2014.

The vertical pilot well took approximately three weeks to drill, conventionally core and evaluate [with wireline logs] the Lower Woodbine and deeper Buda Limestone targets. After setting an intermediate string of 10.75 inch (273mm) casing at a depth of 4,653ft MD (1,418m) and drilling an 8.75 inch (222mm) diameter hole to a measured depth (MD) of 8,000 feet (ft) or 2,438 meters (m), the well reached the coring point at the top of the Lower Woodbine Formation.

Four coring runs successfully recovered a total of 167ft of 4 inch (51m of 102mm) conventional core within the Lower Woodbine and this core material has been shipped to Houston for detailed analysis. Promisingly, elevated mud log gas and oil fluorescence were observed during the coring process, in the Lower Woodbine Formation. The well was subsequently drilled to a total depth (TS) of 8,523ftMD (2,598m) in the Georgetown Formation, after recording elevated mud log gas readings while drilling through the overlying Buda Formation.

A full suite of wireline logs and sidewall cores were recovered from the well at TD and this data will be integrated with the core results ahead of any decision to drill a lateral and which interval to target in the future Jack Howe #1H. Cement plugs have been set in accordance with the Texas Railroad Commission (RRC) requirements for future re-entry to drill a Lower Woodbine lateral from the Jack Howe #1H surface location.

As previously announced, it is anticipated that a 5,000 feet plus lateral may be drilled and completed at the Jack Howe #1H location in the future pending *inter alia* the results of the core and log analysis. Sun also advised shareholders that EOG Resources Inc had commenced drilling operations at the Zeus #1H well site during the Quarter, approximately 7 kilometres east of the Jack Howe #1H location, confirming the area is of interest to major independent shale oil players. At the end of the reporting period, the Zeus #1H well was rumoured to be flowing back hydrocarbons and frac fluids after completing a multi-stage fracing operation.

Delta Oil Project, Onshore, East Texas (Sun: 25 - 100% WI)

Sun executed a binding agreement with Petro-Hunt LLC (“Petro-Hunt”) to jointly explore and develop an Area of Mutual Interest (AMI) consisting of approximately 7,832 acres in Northern Leon County, Texas. Sun and Petro-Hunt had each contributed an initial tranche of oil and gas leases that totalled 3,240 acres. Petro-Hunt continued to lease oil and gas rights in the AMI and the current gross amount of acres leased stands at approximately 3,640 gross acres (910 acres net to Sun), as of 30 June 2014. Subsequent to the end of the Quarter, and after the completion of the Davis #1 well discussed below, three leases in the AMI will not be extended between 30 June and 23 August 2014. Therefore, by 31 August 2014, the total gross acres leased within the AMI will be reduced to 3,420 gross acres (855 net acres to Sun).

During the Quarter, Petro-Hunt, based in Dallas, Texas, the Operator of the AMI area in the north of the Delta Project lease position advised that planning for the vertical pilot well was well advanced with the well to target the Lower Woodbine ("C" or "Dexter Sand") that are producing oil in offset vertical wells. Petro-Hunt subsequently advised the Company that its selected drilling unit had been retained by another operator such that another drilling unit needed to be sourced. At the end of the reporting period, Sun was advised that planning for the well had been completed and that a second drilling unit had been contracted.

Subsequent to the end of the Quarter, the Davis #1H, vertical pilot well was spudded on 3 July 2014, Texas time. The Davis #1 well drilled toward the target Lower Woodbine Formation (referred to as the "C" or "Dexter" sands by Industry) and the well subsequently reached a total measured depth of 6,515 feet (1,986 meters). The total gross Lower Woodbine Dexter sand intersected was 39 feet (12 meters). Approximately 8-12 feet (<4 meters) of net sand was interpreted on the wireline logs of gross Dexter sands in the Lower Woodbine Formation, with only minor hydrocarbon shows recorded. The sands were developed with a laminated nature and were interpreted to be too thin to warrant being drilled and completed as a lateral well at this location. The well has since been plugged and abandoned. The data from this vertical well will be integrated into the regional Lower Woodbine geological model to consider alternative locations within the AMI to test and evaluate the Lower Woodbine section that is oil productive in leases immediately west-northwest of the AMI area.

Sun retains a further 9,800 net acres elsewhere in the Delta Oil Project that will be the subject of future activity, by way of farm-out, joint venture or direct drilling activity in the coming months.

Southern Woodbine Oil Projects, Onshore, East Texas (Sun: 18-50% WI)

Amerril (40-50% WI) operates a number of oil and gas leases on behalf of Sun in the SW-Leona, Centerville, Freestone and Eunice Project Areas. Oil continues to flow from the T. Keeling #1H and Seale #1H lateral wells at low but steady rates, with flow-back operations now going through long term production equipment. Planning continues for future operations in the SW Leona project area.

Centerville AMI (Sun ~18% WI)

The Operator of the Centerville Area of the Amerril Oil Project reports that flow back operations are continuing at the F. Thompson #1H lateral, now via permanent production facilities. Flow rates have increased 45% from May to June 2014, with the latest oil rate recorded being 22 bopd with 80% of frac water recovered.

SW Leona AMI (Sun: 50% WI)

Flow-back operations have resumed at the T. Keeling #1H and Seale #1H Lower Woodbine wells, with minor oil flow rates being recorded at each well. Sun is currently in dispute with Amerril regarding certain drilling, completion and production issues within the T. Keeling #1H and Seale #1H production units. As a consequence, the outstanding recorded amounts unpaid by Sun relating to previous operations are subject to further negotiation and could become due and payable. The amounts are likely to be less than US\$2.3 million, but the actual amount is not yet clearly measurable and is still subject to future and further negotiation. The Operator, Amerril has also advised that there is a lien over the Seale #1H well from Weatherford Inc that could lead to a future contingent financial liability of US\$2.5 million, net to Sun. However, that is currently the subject of litigation between the Operator and Weatherford Inc, whereby Amerril and Sun have claims against Weatherford Inc in the amount of approximately US\$4-5 million net to Sun.

Beeler Oil Project, Onshore, East Texas (Sun: 13.54–16.67% WI)

During the Quarter, the Operator, Amerril, continued with production activities at the Ellis #1H well and at the other two lateral Woodbine wells, CW Brown and John Beeler #1H. In 2013, Sun announced that Richland Resources Corp. ("Richland") was removed as Operator by the non-operating working interest owners in the Beeler Prospect. Richland had failed to pay certain vendors and these vendors then filed liens against the entire Beeler Oil Project, including Sun's 16.67% non-operating working interest. Many of Richland's vendors also filed lawsuits seeking recovery of amounts they were owed by Richland and Richland subsequently filed for Bankruptcy. In Bankruptcy Court Richland filed a lawsuit against Sun and the other non-operating working interest owners. On 10 July 2014, Sun executed a Settlement Agreement with: (a) the Bankruptcy Trustee representing Richland's interest in the Bankruptcy; (b) the Counsel for the Committee of Unsecured Creditors; and (c) the other non-operating working interest owners. The terms of the Settlement Agreement require Sun to pay the bankruptcy estate an adjusted amount of Sun's unpaid Joint Interest Billings (the adjusted figure is \$172,000) for the period of time Richland was the Operator of the Beeler Prospect. In exchange for the payment, all vendor liens, claims and lawsuits against Sun's interest in the Beeler Prospect will be released and the claims brought by Richland against Sun in Bankruptcy Court will also be released. The Settlement Agreement is subject to approval by the Bankruptcy Judge. Objections to the Settlement Agreement may be made by creditors to the bankruptcy estate within 21 days of the filing of the Settlement Agreement. The 21-day deadline is set to expire on 1 August 2014 and, to date, no objections have been filed.

OIL AND GAS PRODUCTION – ONSHORE USA

Table 1 below summarises Sun's actual net working interest oil production for the June 2014 Quarter and compares it with the previous Quarter. Production for the Quarter is confined to oil production now coming from the Woodbine laterals in the Beeler Project, with flow-back continuing at the Centerville and SW Leona Oil Project areas, in Leon County, East Texas. Total oil volumes reported by the Operator improved operationally during the June Quarter due to low but steady oil flow-back rates from the T. Keeling #1H and Seale #1H wells in SW Leona and the F. Thompson #1H well in the Centerville AMI of the Amerril Project area. Continued strong production performance has been reported from the Ellis #1H well in the Beeler Project lease area.

PRODUCTION (Sun WI% share)	June 2014 Quarter	March 2014 Quarter
Oil (bo)	2,506	1,662

Table 1: Quarterly Production (units: bo – barrels of oil)

CORPORATE

Sun announced on 4 April 2014 that the Hon Alexander Downer AC had advised his intention to resign from the Board of Sun effective from 17 April 2014. Mr Downer had served as a Non-Executive Director of Sun from 23 September 2013. Mr Downer further advised that given his recent appointment as High Commissioner to the United Kingdom, he was no longer able to fulfil the requirements as a Director on the Sun Board.

Subsequent to the end of the Quarter, the Board of Sun announced that Dr Govert van Ek had advised Sun of his resignation for personal reasons, effective 9 July 2014. Dr van Ek, an engineer by profession, had served as Managing Director and CEO of Sun since 20 March 2013. Mr Matthew Battrick, General Manager, Technical has agreed to assist the Company as interim CEO while a search for a permanent replacement is conducted. Mr Battrick previously served as Sun's Managing Director and CEO from 15 January 2008 until 20 March 2013.

Sun held cash of A\$2.6 million at the end of the June 2014 Quarter.

BY ORDER OF THE BOARD



Matthew Battrick, **Interim CEO**
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This report is lodged on the Company's website, www.sunres.com.au.

Technical information contained in this report was sourced from the Operators of various Joint Ventures in which the Company has interests and was compiled by the General Manager, Technical of Sun Resources, Matthew Battrick, BSc (App. Geol), MPESA, MPESGB, MAAPG, GAICD who has had more than 30 years' experience in the practice of geology generally and more than 30years' experience in petroleum geology.